

EURELECTRIC adopts position on ETS structural reforms

05/02/2013

The European electricity industry remains strongly committed to the EU Emissions Trading System (ETS) as the best means to achieve an economy-wide decarbonisation by 2050 within an integrated EU internal energy market, EURELECTRIC said today, responding to a European Commission consultation on the carbon market.

In fact, the European electricity industry sees a serious risk that a non-ETS approach to decarbonisation will not only distort, but also fragment the internal energy market, undoing 20 years of work on harmonisation, EURELECTRIC said.

'We consider the ETS to be the best instrument to drive investments in carbon reduction because it is technology neutral, because carbon markets are the cost-effective way to drive investment choice in CO2 reduction, and because the ETS is fully compatible with the internal energy market,' the paper reads.

EURELECTRIC therefore supports the Commission in pursuing structural changes that would firmly establish the ETS as the main policy instrument for driving investment choice in CO2 reduction. The Commission had presented stakeholders with six options on such structural measures in November.

Among these, EURELECTRIC gives highest priority to an early revision of the annual linear reduction factor, in line with a 2030 target (option c). A revised linear factor coming into effect before 2020 would need to fall in the range of 2.3%, depending on the economy-wide greenhouse gas emissions reduction goals and burden sharing between the ETS and non-ETS sectors.

Retiring EUAs in phase 3 (option b) is seen as a subsidiary option because it does not provide a long-term signal. However, as the revision of the linear factor cannot take effect immediately, some EURELECTRIC members consider that a retirement is necessary to re-establish market confidence in a relatively short time.

EURELECTRIC also firmly favours extending the scope of the ETS to other sectors (option d): this is consistent with the goal of cost-effective economy-wide carbon reductions and the completion of the harmonised internal energy market.

In order to relieve the pressure of the current surplus of EUAs while these structural options are under discussion, EURELECTRIC meanwhile supports a phase 3 'back-loading' which can signal to the carbon market - and also to international observers - that the EU is committed to a long-term strategy of driving carbon reduction through a strong ETS.

The full consultation response is available [here](#).

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